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SIPDIS

DEPT FOR NEA/MAG - MNARDI AND JPATTERSON

E.O. 12958: DECL: 02/22/2020

TAGS: [PGOV](#) [PREL](#) [ECON](#) [EINV](#) [AG](#) [EG](#) [US](#)

SUBJECT: AMBASSADOR RAISED US INVESTOR CONCERNS ABOUT OTA DISPUTE

REF: A) ALGIERS 153 B) CAIRO 185 AND PREVIOUS

Classified By: Ambassador David D. Pearce. Reasons: 1.4 (b), (d)

¶1. (C) On the margins of the recent U.S. trade mission to Algiers, Ambassador on February 18 raised with Algerian Finance Minister Djoudi and Minister of Industry and Investment Abdelhamid Temmar U.S. investor concerns over Orascom Telecom Algerie's (OTA) current USD 650-million tax dispute (ref A). Temmar asked Ambassador to follow up after the trade mission had left. On February 22, Ambassador met with Temmar and noted that there was significant U.S. shareholder interest in the issue and that it has attracted U.S. government interest, including from the U.S. Congress. The Ambassador said we hoped there would be a just and expeditious resolution of the dispute.

¶2. (C) Temmar began by reassuring the Ambassador that the Algerian government wants OTA to continue operating in country and that the GOA never intended to push the company out of business. The GOA had thought their relationship with OTA CEO Naguib Sawiris was "honorable" until the discovery that OTA had transferred out of the country USD 600 million in profits in 2007 and about USD 400 million in previous years. Minister of Finance Djoudi approached OTA's CEO Sawiris with options to resolve the issue, but Djoudi ultimately halted all OTA transfers for a period of time. In good faith, Djoudi later lifted the restrictions after Sawiris told Djoudi that having free access to his holdings in Algeria was crucial to the success of the rest of his business enterprises.

¶3. (C) Temmar claimed that in earlier discussions with him, Sawiris had clearly stated that he would not sell the company or withdraw from the Algerian market. Temmar claimed that Sawiris had later said so to the press and in a letter to Temmar's ministry. Temmar noted that if Sawiris decided to sell out, he could sell only to Algeria's state-owned company. He said that currently, Sawiris is working on a deal with the government to pay the tax reassessment in installments.

¶4. (C) Comment: Algerian newspapers continue to feature stories variously claiming that Sawiris is looking for a way to sell out or seeking some new formula -- e.g., seeking to increase Algerian investment in OTA by offering shares that would exceed 51 percent of total capital -- to allow his beleaguered company to continue to operate. Gambits like opening up OTA's shares to Algerian investors, however, would rely on Algerian investor willingness to buy in. We have already heard, for example, that one of the major Algerian entrepreneurs in question, Cevital CEO Issad Rebrab, has responded negatively to Sawiris' proposals.

PEARCE